

AMENDED IN ASSEMBLY JUNE 12, 2012

AMENDED IN ASSEMBLY MAY 25, 2012

AMENDED IN ASSEMBLY MAY 17, 2012

AMENDED IN SENATE MARCH 29, 2012

SENATE BILL

No. 955

Introduced by Senators Pavley and Rubio

(Principal coauthor: Assembly Member Alejo)

(Coauthor: Senator DeSaulnier)

(Coauthors: Assembly Members Ammiano, Blumenfield, Perea, Solorio, Wieckowski, and Williams)

January 5, 2012

An act to add Section 7514.2 to the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

SB 955, as amended, Pavley. Public employees' retirement: pension fund management.

Existing law establishes the Public Employees' Retirement System and the State Teachers' Retirement System. These systems provide defined pension benefits to public employees based on age, service credit, and final compensation. The California Constitution confers upon the retirement boards of public retirement systems plenary authority and fiduciary responsibility for the investment of moneys of those systems.

This bill would authorize these public retirement system boards, consistent with their fiduciary duties and the standard for prudent investment, to prioritize investment in an in-state infrastructure project over a comparable out-of-state infrastructure project.

Vote: majority. Appropriation: no. Fiscal committee: no.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. (a) The Legislature finds and declares all of the
2 following:
3 (1) Due to the current economic recession in which the residents
4 of the state and the nation as a whole find themselves, infrastructure
5 investment represents a significant opportunity to spur job growth
6 while improving California's infrastructure, which is important to
7 maintain business competitiveness.
8 (2) While California may be emerging from the recession, over
9 2,000,000 Californians remain unemployed.
10 (3) Investments in infrastructure can provide much needed
11 employment opportunities for Californians struggling to find work,
12 as well as provide a steady rate of return for investment funds that
13 invest in those projects.
14 (4) The California Public Employees' Retirement System
15 (CalPERS) has announced plans to invest up to eight hundred
16 million dollars (\$800,000,000) in both public and private
17 infrastructure, as defined in the CalPERS Infrastructure Program
18 Investment Policy.
19 (5) The California State Teachers' Retirement System
20 (CalSTRS) has committed up to six hundred fifty million dollars
21 (\$650,000,000) to infrastructure, in accordance with the CalSTRS
22 Infrastructure Program Investment Policy.
23 (b) Accordingly, it is the intent of the Legislature in enacting
24 this act, consistent with the plenary authority and fiduciary
25 responsibilities of the retirement boards of public pension or
26 retirement systems under Section 17 of Article XVI of the
27 California Constitution, that those retirement boards that have
28 specifically targeted infrastructure investment policies prioritize
29 investments in projects located in California.
30 SEC. 2. Section 7514.2 is added to the Government Code, to
31 read:
32 7514.2. (a) As used in this section, the following definitions
33 shall apply:

1 (1) “Board” means the Board of Administration of the Public
2 Employees’ Retirement ~~Board~~ *System* and the Teachers’ Retirement
3 Board.

4 (2) “Infrastructure” includes, but is not limited to,
5 telecommunications, power, transportation, ports, petrochemical,
6 and utilities.

7 (b) A board may, subject to and consistent with its fiduciary
8 duties and the standard for prudent investment set forth in Section
9 20190 of this code, Section 22203 of the Education Code, and
10 Section 17 of Article XVI of the California Constitution, prioritize
11 investment in an in-state infrastructure project over a comparable
12 out-of-state project.

13 (c) The Legislature encourages each board to prioritize
14 investment in in-state infrastructure projects over alternative
15 out-of-state infrastructure projects if the investments in the in-state
16 projects are consistent with the board’s fiduciary duties to minimize
17 the risk of loss and to maximize the rate of return.

18 (d) Nothing in this section shall require a board to take action
19 that is inconsistent with its plenary authority and fiduciary
20 responsibilities, as described in Section 17 of Article XVI of the
21 California Constitution.